

MINUTES

REGULAR MEETING AUDIT COMMITTEE November 14, 2012

Committee Members Present: Council Members Diane Hofstede, Barbara Johnson, and Betsy Hodges; Minneapolis Park & Recreation Board Representative Mark Oyaas

Committee Members Absent: Citizen Members Stephanie Woodruff and Darrell Ellsworth

Chair Hofstede called the meeting to order at 9:48 a.m. in Room 317 City Hall, a quorum being present.

1. Adopt Agenda.

2. a) **Accept Minutes of the Regular Meeting of October 31, 2012.**
- b) **Accept Special Audit Committee Meeting Report of October 18, 2012**

Hofstede moved adoption of the agenda and acceptance of the minutes of October 31, 2012 and the meeting report of October 18, 2012.

Adopted upon a voice vote.

Absent - Woodruff, Ellsworth.

Unfinished Business

3. Xcel Energy Review:

Update on City Council action regarding the issue of Xcel Energy, Inc. providing the City with a statement, certified by the company's controller or another officer of the company, of the amount of the company's gross operating revenues for the preceding calendar year.

Hofstede stated that the City Council had adopted a motion to direct the Finance Department to obtain certified annual statements of Xcel's gross operating revenues pursuant to the franchise agreement from the year 2012 going forward, and to report back with the results for 2012 to the Ways & Means/Budget Committee.

4. Special Audit Committee Meeting:

Discuss issues identified during the Audit Committee's Special Meeting of October 18, 2012.

Hofstede stated that work had begun on the issues identified at the special meeting.

New Business

5. Loan C Review

Magdy Mossaad, Internal Auditor, summarized the review of Development Loans (Loan C) within the Community Planning and Economic Development Department (CPED) with a PowerPoint presentation. The review was performed to ensure processes and controls were in place to adequately grant, record, and continually monitor outstanding loan balances due to the City. CPED, Finance and Property Services, and the City Clerk's Office were working collaboratively to address issues raised.

In response to Committee questions, Kevin Carpenter, Chief Financial Officer, explained that the disparity between the loan amount supplied to recipients and the collectible amount was due to the fact that development loans provided by the City may be forgiven if certain circumstances are met. He explained the process used by the Finance Department, and approved by the

State Auditor, to reflect on the balance sheet each year the total amount of the loans outstanding and the management estimate of collectability.

Jeremy Hanson Willis, CPED Director, thanked the Internal Audit staff for their help in identifying areas for improvement. He looked forward to working together to complete the process.

Hofstede moved to accept the Loan C Review and ordered the report published.

Adopted upon a voice vote.

Absent - Woodruff, Ellsworth.

6. Proposed 2013 Audit Plan:

Discuss upcoming audits with department representatives.

Hofstede noted that one of the changes recommended as a result of the Audit Committee Workshop was to invite department heads to engage in the discussion of the 2013 Audit Plans.

Magdy Mossaad, Internal Auditor summarized the proposed 2013 - 2014 Risk Assessment and Two Year Internal Audit Plan with a PowerPoint presentation. The objective of the assessment was to determine the potential risks that threaten the City's achievement of its objectives and to develop a risk-based audit plan for 2013 and 2014.

Oyaas requested feedback to the Committee on the results of the objective to increase awareness among City staff on internal controls, enterprise risk management, and fraud prevention.

The Committee discussed the parameters under which the Auditor could operate. Susan Trammell, Assistant City Attorney, stated that Section 17.110 of the Minneapolis Code of Ordinances provided: "The internal auditor may, subject to the approval of the audit committee, conduct special reviews and programmatic reviews at the request of the mayor, city council, finance officer, city departments, boards and commissions."

Paul Aasen, City Coordinator, stated that as part of the 2013 Audit Plan, it would be important to determine the City's appetite for risk.

Mr. Mossaad agreed to provide Committee members with a prioritized list of other audits that would be performed in 2013 if for some reason one of the proposed audits did not take place.

Report of Internal Auditor

7. Update on Audit Activities

Magdy Mossaad, Internal Auditor, announced that Jacob Claeys, Internal Audit staff, had earned a Certification in Risk Management Assurance (CRMA) by the Institute of Internal Auditors. Also, the Ways & Means/Budget Committee had approved a contract with PwC for professional advisory services for the Application Security Review.

Adjournment

The meeting was adjourned at 10:47 a.m.

Submitted by: Peggy Menshek, Council Committee Coordinator/City Clerk's Office